

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Huron Utilities Authority	County Washtenaw
Fiscal Year End 12/06	Opinion Date 5-3-2007	Date Audit Report Submitted to State 6-7-2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

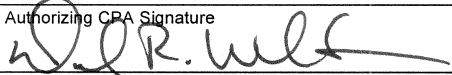
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☐ ☒ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	PA 2 Violations noted in the 496 form and audit	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Post, Smythe, Lutz and Ziel of Plymouth LLP		Telephone Number 734-453-8770	
Street Address 1034 West Ann Arbor Trail		City Plymouth	State MI
Zip 48170			
Authorizing CPA Signature 	Printed Name David R. Williamson	License Number 12382	

**HURON UTILITIES AUTHORITY
Washtenaw County, Michigan**

AUDITED FINANCIAL REPORT

**For the Fiscal Year Ended
December 31, 2006**

HURON UTILITIES AUTHORITY
For the Year Ended December 31, 2006

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Independent Auditor's Report

May 3, 2007

To the Board of Trustees
Huron Utilities Authority
Washtenaw County, Michigan

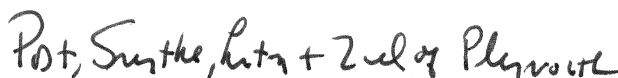
We have audited the accompanying basic financial statements of the Huron Utilities Authority, Michigan, as of and for the year ended December 31, 2006 as listed in the table of contents. These financial statements are the responsibility of Huron Utilities Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Huron Utilities Authority as of December 31, 2006, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Respectfully,



Post, Smythe, Lutz and Ziel of Plymouth LLP
Certified Public Accountants

Management's Discussion and Analysis

As management of the Huron Utilities Authority, we offer readers of Huron Utilities Authority's financial statements this narrative overview and analysis of the financial activities of Huron Utilities Authority for the fiscal year ended December 31, 2006.

Financial Highlights

- The Authority has no net assets – all expenses are paid directly by Pittsfield Township, the sole remaining active member. The Authority Board is exploring dissolution.
- Revenues decreased by \$254 and were \$1,010 and \$1,264 for fiscal years 2006 and 2005, respectively.
- Expenditures decreased by \$1,264 and were \$1,787 and \$3,051 for fiscal years 2006 and 2005, respectively.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Huron Utilities Authority's basic financial statements. Huron Utilities Authority's basic financial statements are comprised of 1) Statement of Net Assets, 2) Statement of Activities, 3) Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual, and 4) notes to the financial statements.

The *statement of net assets* presents information on all of Huron Utilities Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Huron Utilities Authority is improving or deteriorating.

Financial Analysis

The following table shows in a comparative format, the net assets as of the current year and the prior year:

	<u>2006</u>	<u>2005</u>	<u>Change</u>
Assets			
Current and other assets	\$ -	\$ 777	\$ (777)
Liabilities			
Current	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets			
Unrestricted	\$ <u>-</u>	\$ <u>777</u>	\$ <u>(777)</u>

Net assets decreased to zero; as a means of cost reductions, Pittsfield Township (the sole remaining active member) took over financial administration and is paying all costs directly.

The following table represents the changes in net assets during the current year:

	<u>2006</u>	<u>2005</u>	<u>Change</u>
Revenues	\$ 1,010	\$ 1,264	\$ (254)
Expenses	<u>1,787</u>	<u>3,051</u>	<u>(1,264)</u>
Change in Net Assets	\$ <u>(777)</u>	\$ <u>(1,787)</u>	\$ <u>1,010</u>

Budgetary Highlights

No budget was approved in 2006 as the board did not meet in 2006, no expenditures are anticipated in 2007.

Economic Factors and Next Year's Budgets and Rates

The Authority Board is in the process of exploring dissolution with member townships, no revenues or expenditures or financial activity is anticipated in 2007.

Requests for Information

This financial report is designed to provide a general overview of Huron Utilities Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Huron Utilities Authority, 6201 W. Michigan Avenue, Ann Arbor, Michigan, 48108.

HURON UTILITIES AUTHORITY
(An Authority Created Under Act 233, As Amended)
Statement of Net Assets and Governmental Fund Balance Sheet
December 31, 2006

	<u>General Operating Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS	\$ -	\$ -	\$ -
LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

HURON UTILITIES AUTHORITY
(An Authority Created Under Act 233, As Amended)
Statement of Activities
For the Year Ended December 31, 2006

Expenses:

Administrative	\$ 1,787
Total Expenses	<u>1,787</u>

Program Revenues:

Operating Contributions	<u>1,010</u>
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Net Program Revenues	(777)
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General Revenues:

None	<u>-</u>
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Change in Net Assets	(777)
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Net Assets - January 1	<u>777</u>
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Net Assets - December 31	<u><u>\$ -</u></u>
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HURON UTILITIES AUTHORITY
(An Authority Created Under Act 233, As Amended)
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2006

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance- Favorable Unfavorable</u>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 1,010	\$ 1,010
Expenditures:				
Administrative	<u>-</u>	<u>-</u>	<u>1,787</u>	<u>(1,787)</u>
Excess (Deficiency) of Revenues over Expenditures	\$ <u>-</u>	\$ <u>-</u>	(777)	\$ <u>(777)</u>
Fund Balance - January 1			<u>777</u>	
Fund Balance - December 31			\$ <u>-</u>	

HURON UTILITIES AUTHORITY
(An Authority Created Under Act 233, As Amended)
Notes to Financial Statements
December 31, 2006

I. Summary of Significant Accounting Policies

A. Scope of Reporting Entity

The Huron Utilities Authority was created in 1966 pursuant to the provisions of Act 233, as amended, of the Public Acts of Michigan. The Authority consists of representatives of the Townships of Ypsilanti, Pittsfield, Northfield, Augusta and Scio. The Authority has no stockholders, and all money received is to be used for specified purposes in accordance with agreements between the Authority and those Townships which contract with the Authority for construction financing. Each Township which contracts with the Authority for construction financing pledges its full-faith and credit for periodic payments to the Authority which are sufficient to retire the debt incurred. When the bonds outstanding on a construction project have been retired, the constructed assets become the property of the Township which financed the project.

The Authority is currently a party to contracts with Pittsfield Township. Construction has been for water lines.

The Authority is governed by a seven member Board of Trustees who are appointed by the member townships. There are no component units to be included in these financial statements as defined by accounting principles generally accepted in the United States of America.

B. Basis of Accounting

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

GOVERNMENTAL FUNDS

General Operating Fund -- The general operating fund of the Authority is used to account for all financial resources except those required to be accounted for in another fund.

HURON UTILITIES AUTHORITY
(An Authority Created Under Act 233, As Amended)
Notes to Financial Statements
December 31, 2006

I. Summary of Significant Accounting Policies – Continued

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Deposits

Under State law, the Authority is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury and commercial paper with certain investment grades. During 2006, all bank accounts were closed, and financial activity is accomplished directly by Pittsfield Township.

II. Stewardship, Compliance and Accountability

A. Formal Adopted Budget

The Authority did not adopt annual budgets as required by Public Act 2 of 1968 (as amended).

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balances

The Authority has no accumulated fund balance deficits.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

Public Act 621 of 1978 Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in the annual budget. In the body of the financial statements, the Authority's actual expenditures and budgeted expenditures have been shown on a line item basis. The approved budget of the Authority for the General Operating Fund, which is a budgetary fund, was adopted at the total fund level.

During the year ended December 31, 2006, the Authority exceeded the amounts appropriated by a total of \$1,787.

HURON UTILITIES AUTHORITY
(An Authority Created Under Act 233, As Amended)
Notes to Financial Statements
December 31, 2006

III. Conduit Debt

The Authority entered into contracts with the member municipalities to issue bonds pursuant to Public Acts of Michigan Act 233 of 1955, Section 9 as amended. Under the provisions of these contracts, the municipality is obligated to pay all of the cost of improvements to be financed by the issuance of bonds of the Authority by paying the debt installments plus interest, and the municipality has further obligated itself to levy taxes annually to the extent necessary for the purpose of meeting the debt payments. The constructed assets or improvements are property of the municipality and not the Authority.

Huron Utilities Authority is in no manner responsible for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2006, the outstanding conduit debt obligations payable are as follows:

	<u>Bonds Outstanding</u> <u>At Dec. 31, 2006</u>
Pittsfield Township Water Supply System No. 4	\$ 485,000
Bonds Issued September 1, 2001	
Total Amount of Issue \$750,000	
Bonds Payable through November 2013	

IV. Other Information

As of November 22, 2005, the Charter Township of Superior Board adopted a motion to withdraw from the Huron Utilities Authority, other members are considering actions to withdraw, and the Board is in the process of exploring dissolution of the Authority.